# GOVERNMENT OF INDIA
# POWER
# LOK SABHA

UNSTARRED QUESTION NO:1732
ANSWERED ON:08.03.2001
POWER SECTOR REFORM
M.V.V.S MURTHI

**Will the Minister of POWER be pleased to state:**

(a) whether a meeting of Chief Ministers was held in the capital recently to discuss the power sector reforms;

(b) if so, the details of discussions held and suggestions given by CMs;

(c) the response of the Government along with the action taken thereon;

(d) whether the special Central assistance has been given by the Union Government to States for carrying power reforms; and

(e) if so, the details thereof?

## Answer

THE MINISTER OF STATE IN THE MINISTRY OF POWER( SHRIMATI JAYAWANTI MEHTA )

(a) : Yes, Sir. A conference of Chief Ministers and Power Ministers was held in New Delhi on 3.3.2001. After detailed deliberations with Chief Ministers/Power Ministers and keeping in view their suggestions various resolutions were adopted in the conference.

(b) to (e) : A copy of the resolutions adopted is annexed. The States of Punjab and Tamil Nadu did not agree to immediate raising of agriculture tariff and stopping of free supply to farmers. The Government of India offers financial support through the Accelerated Power Development Programme (APDP) for upgradation of sub- transmission, distribution including metering as well as renovation and modernisation of thermal/hydel plants. The current year`s allocation (2000-2001) under APDP is Rs.1000 crores for sanction to the States as per approved guidelines on submission of viable schemes.

ANNEXURE

ANNEXURE REFERRED TO IN REPLY TO PARTS (b) TO (e) OF UNSTARRED QUESTION NO. 1732 TO BE ANSWERED IN THE LOK SABHA ON 8.3.2001 REGARDING POWER SECTOR REFORM.

RESOLUTIONS OF THE CHIEF MINISTERS/POWER MINISTERS CONFERENCE ON 3rd MARCH, 2001

I. The Chief Ministers/Power Ministers took note of the challenges confronting the Power Sector. It was agreed that there is urgent need to depoliticise power sector reforms and speed up their implementation. For this purpose, an all-party consensus needs to be created. The Prime Minister is requested to convene all- party meetings including leaders of opposition in State Assemblies.

II. The following Resolutions were adopted :

A. COMPLETING ELECTRIFICATION OF ALL VILLAGES AND HOUSEHOLDS

(i) Rural Electrification may be treated as a Basic Minimum Service under the Prime Minister`s Gramodaya Yojana;

(ii) Rural Electrification may be completed by the end of the 10th Plan i.e. by year 2007;

(iii) Full coverage of all households may be targeted for the end of the 11th Plan i.e. by year 2012.

(iv) For the attainment of full electrification, States may be given flexibility for using funds under Rural Development Programs with the consent of the Village/Block Panchayats for undertaking the task of electrification where it is required.

(v) It was agreed that electrification of remote villages in the States would need a special mode of financing including an element of grant.

B. DISTRIBUTION REFORMS

The real problem of management and the challenge of reforms lies in the distribution sector.

(i) Energy audit at all 11 KV feeders must be made effective within the next 6 months and accountability fixed at the local level.

(ii) An effective Management Information System for this purpose needs to be made operational.

(iii) On the basis of the above, an effective program needs to be launched for identifying and eliminating power thefts in the next 2 years.

(iv) Full metering of all consumers had been targeted for completion by December 2001. Special efforts should be made to complete the programme.

(v) The quality of power supplied especially in rural areas needs to be improved through the APDP and other programmes quickly;

(vi) Commercial viability has to be achieved in distribution in 2-3 years through any or all of the following

- Creating Profit centres with full accountability
- Handing over of local distribution to Panchayats/Local Bodies/ Franchisees/Users Associations, wherever necessary.
- Privatisation of distribution
- Or any other means

(v) Efforts by States, if necessary, at inviting private investment in the power sector need to be focussed towards the distribution sector.

(vi) Current operations on distribution would need to reach break even in two years and achieve positive returns thereafter.

C. TARIFF DETERMINATION BY REGULATORY COMMISSIONS AND SUBSIDIES

(i) State Electricity Regulatory Commissions may be made functional in thenext six months and tariff filings made. Tariff orders issued by Central Electricity Regulatory Commission and State Electricity RegulatoryCommissions need to be implemented fully unless stayed or set aside by Court order. It is necessary to move away from the regime of providing free power.

(ii) Subsidies may be given only to the extent of State Government`s capacity to pay the subsidies explicitly through budget provisions.

(iii) The past decision of CMs of a minimum agricultural tariff of 50 paise may be implemented immediately.

D. GENERATION

(i) Special efforts need to be made to increase the PLF of existing plants through Renovation and Modernisation.

(ii) In the short run, there is no alternative to increase in public sector investment in generation, as large-scale private investment in generation would flow only after reforms succeed in restoring financial viability. The Centre and the States need to take suitable decisions regarding increase in outlays for the 10th Plan. Priority should be given for investments at those locations which produce the cheapest power specially for hydro projects and pit head thermal generation. CEA has estimated the requirement for an additional 100,000 MW of generating capacity by 2012.

(iii) Where the States and Financial Institutions are in agreement about the needfor development of IPPs, they need to work together to achieve financial closure at the earliest. The Centre would facilitate the finalisation of reforms based multi-partite agreements.

(iv) The evolution of a National Grid for inter-regional transfer of power needs to be taken up on priority.

(v) Some provisions of the Forest Conservation Act may require to be revised for expeditious completion of power and other projects.

E. ENERGY CONSERVATION AND DEMAND SIDE MANAGEMENT

An effective program in the field of demand side management through - energy efficient bulbs, tube lights and agricultural pumpsets,

- time of the day metering and differential tariff for peak and off peak hours needs to be implemented with suitable mass awareness and extension efforts.

F. SUPPORT FROM GOVERNMENT OF INDIA

i) The Government of India would supportthe States in their reform efforts. This support would be linked to time bound power reform initiatives in the States and achievement of definite milestones towards restoration of financial viability.

ii) Interest rates of PFC and REC should be brought down to reflect market conditions.

iii) An Expert Group would be set up to recommend one time settlement of allpower sector past dues to CPSUs and dues from CPSUs to State Power Utilities. This would be linked to implementation of reforms with time bound milestones. The Group will give its report within three weeks of its constitution.

G. SUPPLY FROM CENTRAL GENERATING STATIONS

Continued supply of power from Central Generating Stations would have to belinked to demonstration of capacity to make payments for current purchases and securitisation of past dues.

H. HIGH LEVEL EMPOWERED GROUP

A High Level Empowered Group comprising of Minister of Power and Chief Ministers of someStates may be set up to coordinate, monitor and review the implementation of Reforms.